

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**AGENCY-WIDE REVIEW
OF SELECTED FUNCTIONS
WITHIN THE
DEPARTMENT OF
EMPLOYMENT SERVICES**



**CHARLES C. MADDOX, ESQ.
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



April 11, 2002

Gregory P. Irish
Director
Department of Employment Services
77 P Street, N.E., Suite 3100
Washington, D.C. 20001

Dear Mr. Irish:

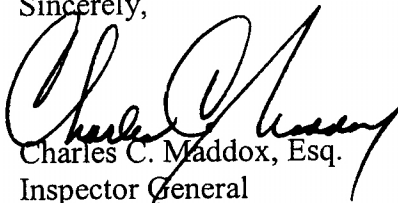
Enclosed is our final report OIG No. 01-1-27CF summarizing the results of the Office of the Inspector General's (OIG) agency-wide review of selected functional areas within the Department of Employment Services (DOES). The audit was conducted by contract under the purview of the OIG. During the performance review of the agency, we issued 5 reports that contained a total of 23 recommendations. This report, the 5th and last in a series of reports, summarizes the findings from all of the audits performed at DOES. Additionally, this report identified systemic issues requiring management attention relative to all programs audited at DOES.

The four functional areas reviewed and reported on separately in detail were: (1) Disability Compensation Program, report OIG No. 00-1-14CF dated September 19, 2000; (2) Workers' Compensation Program, report OIG No. 01-1-13CF dated January 25, 2001; (3) Workforce Investment Act, report OIG No. 01-1-18CF dated May 15, 2001; and (4) Unemployment Benefit System, report OIG No. 01-1-21CF dated September 17, 2001.

In commenting on the draft report of January 8, 2002, DOES cited specific actions taken to address our recommendation. The DOES response, where appropriate, is incorporated in the final report and included at Exhibit A.

Should you have questions concerning this report, please call me or William J. DiVello, Assistant Inspector General for Audits, on (202) 727-2540.

Sincerely,



Charles C. Maddox, Esq.
Inspector General

CCM/ws

Enclosure

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GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL

AGENCY-WIDE REVIEW OF SELECTED FUNCTIONS
WITHIN THE DEPARTMENT OF EMPLOYMENT SERVICES

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EXECUTIVE SUMMARY

Introduction

The District of Columbia Office of the Inspector General (OIG) contracted with Williams, Adley & Company, LLP to provide professional services in the areas of financial, operational, and compliance reviews of selected functional areas within the Department of Employment Services (DOES), and to conduct an agency-wide performance review. This report addresses the findings and recommendations related to the detailed performance review of the agency.

The overall objectives of the agency-wide review were to identify issues and conditions that are systemic throughout the agency, based on our detailed review of the four specific program functional areas within the agency, on observation, and inquiries. The four functional areas reviewed and reported on separately in detail were: (1) Disability Compensation Program, report OIG No. 00-1-14CF dated September 19, 2000; (2) Workers' Compensation Program, report OIG No. 01-1-13CF dated January 25, 2001; (3) Workforce Investment Act, report OIG No. 01-1-18CF dated May 15, 2001; and (4) Unemployment Benefit System, report OIG No. 01-1-21CF dated September 17, 2001. This report presents the results of our agency-wide review performed during the period January 2000 through July 2001.

Results in Brief

During the performance review of the agency, we identified the following deficiencies:

1. Lack of policies and procedures on key program activities and functions to assist agency employees and contractors in the performance of their responsibilities. For example, agency personnel and outside contractors performed overlapping duties.
2. Inadequately trained agency personnel and a high turnover within the agency senior level management personnel. For example, the agency has had three Directors in the last 5 years, and the Deputy Director at the inception of this review left the agency before the completion of our fieldwork.

3. Inadequate oversight and monitoring of duties performed by outside contractors resulting in ineffective case management and increased overall program cost.
4. Lack of an integrated information management system to provide information on case management and financial activities of the programs.
5. No clear line of authority/communication and coordination related to decision-making on program administration between DOES and other District agencies/offices and contractors. For example, the agency Chief Financial Officer (CFO) who is responsible for processing and making payments to claimants and contractors, does not report to the agency Director. The services rendered by the CFO staff assigned to various agency programs are not performed under the direction of agency management. Accordingly, better communication and cooperation need to exist between the agency and others.

**Summary of
Recommendations**

During the performance review of the agency, we issued 5 reports that contained a total of 23 recommendations. In response to these audit reports, officials from the DOES cited actions taken or planned to address those recommendations.

In this capstone report we recommended the development of policies and procedures delineating the lines of authority and communication channel for decision-making on program administration within the DOES as it relates to other agencies/offices.

**Summary of
Management's
Comments**

DOES provided two separate management responses to a draft of the agency-wide report which included several supplemental documents such as copies of contracts, testimony by the DOES Director, and other previously submitted responses to prior audits of DOES. The first response was received on February 14, and the subsequent one on February 21, 2002. These responses are incorporated, where appropriate, and are included at Exhibit A. The attachments to the responses have not been included due to their volume.

DOES agreed with the conditions in the report and stated that significant progress had been made with the establishment of comprehensive policies and procedures in departmental functional areas, and the hiring key personnel to manage and maintain the Unemployment Compensation System.

Additionally, the Director of DOES stated that he has devoted substantial time and attention to improving the quality and effectiveness of its relationships with other District government entities and contractors. Specific improvements were cited in collaborations with the Department of Human Services relative to the DOES Welfare-to-Work Program, and deployment of federal grant resources through the Office of Grants Management and Development.

Evaluation of
Management's
Comments

These actions, coupled with the staff training and employee development initiatives identified, should adequately address the conditions noted.

INTRODUCTION

Background

DOES is responsible for administering the Disability and Workers Compensation Programs for District government employees, Unemployment Compensation Program for employees of non-government employers located in the District, and Job Training Programs in accordance with the provisions of each program as stipulated by law.

In performing these services, DOES obtains support from the Office of the Chief Financial Officer (OCFO) in making program payments to claimants and service providers, and in preparing budget and grant information for the agency. Support services are also obtained from the Office of Contracting and Procurement (OCP) for procuring professional services from outside consultants and contractors.

Williams, Adley & Company, LLP had been requested by the OIG under Contract No. OIG-9801-WMAC-AUD to provide professional services in the areas of financial, operational, and compliance reviews of selected functional areas within DOES, as well as a performance review of the agency as a whole. This report addresses the findings and recommendations related to the detailed performance review of the agency.

Objectives, Scope, and Methodology

The overall objectives of the agency-wide review were to identify issues and conditions that are systemic throughout the agency, based on our detailed review of the four specific program functional areas within the agency, on observation, and inquiries. The four functional areas reviewed and reported on separately in detail were: (1) Disability Compensation Program, report OIG No. 00-1-14CF dated September 19, 2000; (2) Workers' Compensation Program, report OIG No. 01-1-13CF dated January 25, 2001; (3) Workforce Investment Act; report OIG No. 01-1-18CF dated May 15, 2001; and (4) Unemployment Benefit System, report OIG No. 01-1-21CF dated September 17, 2001. This report presents the results of our agency-wide review performed during the period January 2000 through July 2001.

We interviewed DOES officials to obtain information about the agency, its operations, and mission. We also interviewed responsible personnel from the OCFO and OCP in relation to the support services provided to DOES. We reviewed and documented the current processes in the administration of the Disability and Workers' Compensation Programs, starting with the report of injury to the claims compensability determination and payments section, to determine areas of overlapping processes and non-value added functions that should be eliminated for increased efficiency. We also identified the control points in each processing function to ensure that controls are adequate and operating as intended for effectiveness and accountability.

For the Unemployment Compensation Program, we reviewed documentation for program analysis, program design, program walkthrough, and implementation to determine whether appropriate Customer Information Control System developmental standards are in place, and whether programming standards are being followed and are well documented.

For the Job Training Program, we reviewed general control elements such as the invoice approval and payment process, documentation and reporting on the status of case management files, the recording of service levels provided to Workforce Investment Act applicants, and contract monitoring procedures and efforts.

Our review was performed from January 2000 through July 2001, utilizing agreed-upon procedures. The procedures were performed in accordance with generally accepted government auditing standards and included such tests as considered necessary to fulfill objectives of the review plan. We discussed our conclusions and observations with appropriate management officials and included their comments, where appropriate.

REVIEW RESULTS

Review Findings

During our review, we noted that DOES had many weaknesses that impeded efficiency and effectiveness in the operation of the agency and its programs, including non-compliance with applicable laws and regulations in the administration of its programs. The primary problems we noted were: (1) lack of policies and procedures on key program, activities, and functions to assist agency employees and contractors in the performance of their responsibilities; (2) inadequately trained agency personnel and a high turnover within the agency senior level management personnel; (3) inadequate oversight and monitoring of duties performed by outside contractors resulting in ineffective case management and increased overall program cost; (4) lack of an integrated information management system to provide information on case management and financial activities of the programs; and (5) no clear line of authority/communication and coordination related to decision-making on programs administration between DOES and other District agencies/offices and contractors.

Lack of Policies and Procedures on Key Programs, Activities, and Functions

DOES did not have a comprehensive policy and procedure manuals available for each of the four functional areas reviewed. As a result, and as indicated in our report on the Disability Compensation Program (DCP), dated August 2000, which was concurred with by the DOES management, there was a lack of controls over the payment system which resulted in the overpayment of at least \$1 million to program beneficiaries and medical providers. Overlapping duties and duplicate processes performed by DOES and outside contractors have resulted in delays in claims processing, payments to providers before a determination of eligibility and compensability, increased overall program cost, and inefficient use of human resources.

Inadequately Trained Personnel

DOES did not ensure that its employees were properly and adequately trained to perform their assigned responsibilities. Inquiry of personnel indicated that transfers within departments in the agency routinely occur without proper training being provided to the transferred employees. Additionally, job and position responsibilities were not defined for all positions in the agency, which sometimes resulted in duplication of efforts and waste of resources.

In the rush to “out-source” services to outside contractors and consultants, several employees of the agency were laid-off or transferred to other agencies of the District without proper transfer of records and responsibilities to the contractors and consultants. For example, case files transferred to the Third Party Administrator (TPA), which processes and adjudicates employee claims, were incomplete, and responsibilities assigned to the TPA were also performed by the Physician Practice Organization (PPO), responsible for the review of medical bills and the Office of Benefits Administration (OBA), responsible for contractor monitoring.

In other instances, oversight responsibilities for contractors and consultants were abandoned due to the lack of experienced and properly trained employees to monitor the quality of such services. For example, we noted that the TPA and the PPO did not perform all of the services indicated in their contract agreements. Reports and other information required to assess the efficiency and effectiveness of the programs were not prepared and submitted to DOES as required in the agreements. DOES did not take any step to ensure that the contractors were in compliance with the requirements of the contracts.

Specifically, there was a shortage of technical staff within DOES to monitor contractors’ activities and provide in-house technical, risk assessment, and management support.

DOES also had a high turnover within the agency senior level management personnel. For example, the agency has had three Directors in the last five years, and the Deputy Director at the inception of this review left the agency before the completion of our fieldwork. Several senior level positions in the agency were vacant or occupied by personnel in an acting capacity.

Lack of Contractor
Monitoring

The DCP and the on-line compensation system as currently administered rely heavily on outside contractors and consultants. The programs and services provided by the contractors and consultants were not adequately monitored.

Specifically, regarding the DCP, there was no review of the contractors to ensure timely determination of eligibility and compensability of claims, and assessment of quality of service. For example, the TPA contract requires that

decisions pertaining to compensability of claims be made within 14 calendar days; notice to concerned parties on compensability decision should be within 18 calendar days; and award of benefits to eligible recipients should be within 21 calendar days. We noted that several cases were not compensated within the stipulated period, several claims were processed for payment before eligibility and compensability were determined, and there was no tracking system to monitor the progress of claims and determine when eligibility and compensability notice was provided to concerned parties.

Regarding the On-line compensation system, there was a shortage of technical staff within DOES to monitor contractors' activities and provide in-house technical, risk assessment, and management support. For example, there was no assessment review performed upon installation of the system due to the lack of in-house technical staff to perform or adequately supervise the review. This review was necessary to ensure that all required features, as indicated in the contract specification, were installed and functioning as indicated. Our review of the system indicated that services such as on-line help features and imaging, which were indicated on the specification, were not installed. We also noted that the quality of services provided was not monitored and reviewed.

Lack of Integrated
Information Management
Systems

Efficient and effective program management requires that critical data be collected to measure performance of a program and its contractors. Our review of programs and contractors' operations indicated that most of the data was not maintained by DOES management or required to be maintained by the contractors. For example, our report on the DCP indicated that there was no one place to obtain complete information on a case, and data was fragmented between contractors and DOES.

Collection of data, such as the location of injury, cause of injury, type of injury, cost incurred on each claimant by function, i.e., medical care, indemnity payment, rehabilitation cost, and length of claim, is necessary to measure performance of the program and increase efficiency. Collection of such data will also allow for program risk analysis and implementation of adequate corrective actions to prevent injury to employees, reduce program fraud, and reduce the loss of human and financial resources to the District. Also, collection of data such as the length of time taken to determine compensability, notify concerned parties, and to award benefits to eligible recipients will be useful in monitoring the performance of contractors. Other data to be collected should include number of cases put in early intervention, number of days lost to injury for cases in early intervention, and a report on managed cases. The report should include date and type of service, notice of discharge by physician, and the time and date employees actually returned to work. This will allow DOES to effectively monitor contractors' performance and program efficiency and effectiveness.

Lack of Effective
Communication with Other
Agencies

In administering its programs, DOES requires support services from other District agencies/offices such as the OCFO, OCP, Office of Personnel (OP), and the Office of the Corporation Counsel. Our review indicated that there is no clear line of authority/communication related to decision-making on program administration between DOES and these other District agencies/offices.

During the review of the agency, we observed that the OCFO personnel responsible for making payments on claims for various programs of the agency were not involved in the development of program policies and procedures regarding the processing of claims and making of payments regarding the claims. For example, claims sent from the PPO were processed and paid by the OCFO without review by the TPA and OCFO. Our inquiry of OCFO personnel indicated that such payments were made at the request of the OBA without a procedure in place to ensure the tracking of the payments to avoid duplication.

We also noted that the lack of coordination between the agency and the OCFO sometimes result in the suspension of payment processing and disbursement of funds to claimants due to the program's exceeding the budgeted allowances and running out of funds. Our inquiry of OCFO

and agency personnel indicated that the funding for programs was not coordinated by the DOES with the OCFO.

The OCFO personnel in the agency get their direction and authority regarding their responsibilities, including payment processing policies and procedures, from the OCFO, without any input in the formulation of the policies from the agency program personnel that have overall responsibility for the administration of the programs, including payment of benefits.

The OP is responsible for hiring and processing of payroll payments to District employees. During our review of the DOES, we noted that the agency was not coordinating efforts with OP to ensure that only employees that are eligible for disability, workers compensation, and unemployment benefits receive such compensation. For example, the District active payroll was not compared with the disability payroll to ensure that no active employee appears on the disability payroll.

Based on our discussions with OCP, the office responsible for awarding and enforcing compliance with all contracts of the District government, OCP was not aware of the non-compliance with the agreements signed by the TPA and PPO. Inquiry of the DOES management as to why the OCP was not informed of the contract violations by its contractors indicated that there was no procedure in place to initiate such contact.

Conclusion

Based on the results of our review of the agency, we identified the following deficiencies:

1. Lack of policies and procedures on key program activities and functions to assist agency employees and contractors in the performance of their responsibilities. For example, agency personnel and outside contractors performed overlapping duties.
2. Inadequately trained agency personnel and a high turnover within the agency senior level management personnel.

3. Inadequate oversight and monitoring of duties performed by outside contractors resulting in ineffective case management and increased overall program cost.
4. Lack of an integrated information management system to provide information on case management and financial activities of the programs.
5. No clear line of authority/communication and coordination related to decision-making on program administration between DOES and other District agencies/offices and contractors.

Recommendations

During the performance review of the agency, we issued 5 reports that contained a total of 23 recommendations. In response to these audit reports, officials from the DOES cited actions taken or planned to address those recommendations.

In this capstone report we recommended the development of policies and procedures delineating the lines of authority and communication channel for decision-making on program administration within the DOES as it relates to other agencies/offices.

**Summary of
Management's
Comments**

DOES provided two separate management responses to a draft of the agency-wide report which included several supplemental documents such as copies of contracts, testimony by the DOES Director, and other previously submitted responses to prior audits of DOES. The first response was received on February 14, and the subsequent response on February 21, 2002. These responses are incorporated, where appropriate, and are included at Exhibit A. The attachments to the responses have not been included due to their volume.

DOES agreed with the conditions in the report and stated that significant progress had been made with the establishment of comprehensive policies and procedures in departmental functional areas, and the hiring of key personnel to manage and maintain the Unemployment Compensation System.

Additionally, the Director of DOES stated that he has devoted substantial time and attention to improving the quality and effectiveness of its relationships with other District government entities and contractors. Specific improvements were cited in collaborations with the Department of Human Services relative to the DOES Welfare-to-Work Program, and deployment of federal grant resources through the Office of Grants Management and Development.

**Evaluation of
Management's
Comments**

In DOES's first response, dated February 14, 2002, DOES minimized the significance of the agency-wide report, stating that it centered on issues related mainly to the Disability Compensation Program (DCP), and that the report was based on "more anecdotal conversations rather than on Generally Accepted Auditing Principles" and there was no value for DOES to respond to our report since the DCP had long been transferred to the District of Columbia Office of Personnel.

The purpose of this report was not to re-surface the problems identified in the DCP report issued September 19, 2000, but to identify systemic issues that were identified during our review of all programs administered by DOES and to offer a means to improve operations within the agency as a whole. I believe there is always a measure of value from a report such as this one, not only from a "lessons learned" perspective for your agency, but also for other service delivery agencies. I believe that if you look at the total picture and focus on the results presented in the capstone report, you will see the value of issuing this report after the completion of several audits of your agency. With the identification of systemic problems that these audits disclosed, it was our intention to help improve your agency's operations across all program lines.

This report is a culmination of the findings from all of the audits performed at your agency. As such, the assertion that this report was not prepared in accordance with "Generally Accepted Auditing Principles," is unfounded. The original audits performed were based on agreed-upon procedures and in accordance with Generally Accepted Auditing Standards. In accordance with these standards, interviews of management personnel, consultants, and contractors were conducted; observations of operational

processes were made; records and other data were reviewed; and financial records and related payments to beneficiaries and service providers were analyzed.

In its second response, dated February 21, 2002, DOES agreed with the conditions in the report and stated that significant progress had been made with the establishment of comprehensive policies and procedures in departmental functional areas, and the hiring of key personnel to manage and maintain the Unemployment Compensation System.

Notwithstanding these issues, the actions cited by DOES, coupled with the staff training and employee development initiatives identified, should adequately address the conditions noted.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Employment Services
Office of the Director

2002 FEB 21 PM 3: 24

Gregory P. Irish
Director



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FEB 21 2002

Mr. Charles Maddox, Esq.
Inspector General
Office of the Inspector General
717 14th Street, N.W.
Washington, D.C. 20005

Dear Mr. Maddox:

This is in response to the draft report issued by your office summarizing the results of a review of selected DOES functions conducted by Williams, Adley & Company LLP, during the period from January 2000 through July 2001. The review identified five general deficiencies in the department's performance which we will respond to herein. Specific findings in the review which relate directly to the District's Disability Compensation Program have been addressed under separate cover in a letter hand-delivered to your office on February 14, 2002.

Following are the deficiencies your review cited and our responses:

- **Lack of policies and procedures on key program activities and functions to assist agency employees and contractors in the performance of their responsibilities.**

The narrative in your Executive Summary relating to this finding focuses on the Disability Compensation Program. As stated above, we have already responded to your concerns regarding this program in our letter of February 14th. In other major departmental functional areas, we have made significant progress in establishing comprehensive policy and procedures:

- **Workforce Investment Act Programs** - The Workforce Development Bureau has established a committee responsible for preparing policy and procedures documents for all aspects of programs funded under the Workforce Investment Act. Policy issuances completed to date include:
 - ✓ Workforce Investment Act Policy Issuance No. 01-00: *Workforce Investment Act Eligibility Policy for Adults, Dislocated Workers, and Youth*;

- ✓ Workforce Investment Act Policy Issuance No. 01-01: *Assessment and Case Management Policy*;
- ✓ Workforce Investment Act Policy Issuance No. 01-02: *Re-Certification of Eligible Training Providers*;
- ✓ Workforce Investment Act Policy Issuance No. 02-00: *Use of Individual Training Accounts for Workforce Investment Act Training/Coordination of ITAs with other Grant Assistance*;
- ✓ Vendor Notification No. 2001-01: *Performance Evaluations*;
- ✓ Workforce Investment Act Policy Issuance No. ES-02-01: *Registration of One-Stop Customers into Wagner-Peyser*.
- ▶ **Unemployment Insurance** - The Office of Unemployment Compensation issues Unemployment Insurance (U.I.) Information Notices on an as-needed basis to inform staff of policies and procedures additions and revisions. In January 2002, for example, two notices were issued: one provided policy for determining the continuing liability of household employers; the other outlined new procedures for processing stop payments. In Calendar Year 2001, a total of 18 such notices were issued; in Calendar Year 2000, 28 such notices were issued.
- ▶ **Welfare-to-Work** - The department completed a comprehensive policy and procedures manual for Project Empowerment, its progressive Welfare-to-Work program, in April of 2001. In addition, Project Empowerment has completed grievance procedures, stipend payment procedures, work experience payroll procedures, two participant handbooks, a work experience worksite supervisor handbook, a job club plan, an outreach plan, an incentive awards policy, and procedures for referrals from One-Stop Career Center staff.
- ▶ **Youth Opportunity Program** - A comprehensive policy and procedures manual is currently being drafted and will be completed by mid-March of 2002.
- **Inadequately trained agency personnel and a high turnover within the agency senior level management personnel.**

The department's senior management team strongly believes that a comprehensive program of staff training and employee development is a prerequisite to achieving the department's mission and providing truly effective customer services. Accordingly, the department conducted a total of 2,031 hours of staff training during FY 2001 and sponsored several major staff development initiatives:

- ▶ **Career Development Facilitator (CDF) Training** - This training module was designed to improve the skills and abilities of the department's Case Managers, Job Developers, and Manpower Development Specialists who are on the front line delivering direct, one-on-one services to job-seeking customers. This training module is a college-level course, 120 hours in duration, which focuses on developing critical employment counseling competencies.
- ▶ **Management Supervisory Service (MSS) Training** - MSS is a series of training modules mandated by the District's Office of Personnel to improve and enhance the performance of managers and supervisors. Among the training modules provided are Executive Writing, Procurement, Performance Management, Labor-Management Relations, and General Discipline and Grievances.
- ▶ **Media-Minded Workshop for Senior Managers** - This training was provided to the senior management team in order to assure that the department is able to effectively transmit its message to the public.
- ▶ **Specific Skills Development Training** - The department provided staff with a wide-ranging menu of training modules designed to address discreet instructional needs. Among the areas covered were: Workforce Investment Act legislation, the Virtual One-Stop information management system, Lexis-Nexis, telephone techniques, effective writing, cultural diversity, sexual harassment, customer service, federal bonding, and computer applications.

In addition, department staff attended a wide variety of program-specific training, professional conferences, and symposia sponsored by our major federal partner, the U.S. Department of Labor, and other organizations involved in workforce development and related fields.

Regarding your concerns related to turnover in the ranks of senior management, let me first point out that the appointment and/or removal of department Directors is the responsibility of the duly elected Mayor of the District of Columbia with the advice and consent of the District of Columbia Council.

Secondly, since my appointment as the department's Director in September 1998, I have been working tirelessly to recruit qualified, visionary managers to our team. I have also been conducting a continuous and rigorous evaluation of current managers to assure that they are qualified to execute their duties and responsibilities in a superior manner and are appropriately placed in the department's management structure.

- **Inadequate oversight and monitoring of duties performed by outside contractors resulting in ineffective case management and increased overall program cost.**

The narrative in your Executive Summary relating to this finding deals mainly with the Disability Compensation Program. As stated above, we have already responded to your concerns related to this program in our letter of February 14th.

Regarding the Unemployment Compensation DOCS system, the finding that DOES does not have adequate in-house technical support to manage and maintain the system is accurate. However, we have since hired a Chief Information Officer, and there are plans to bring application and systems programmers on board in the near future.

The draft report makes the point that an assessment review was not performed upon the installation of the DOCS system to assure that all required features, as indicated in the specifications/contract, were installed and functional. This assertion is not correct. The Associate Director for the Office of Unemployment Compensation, as Contract Administrator, did monitor the work of the contractor on an ongoing basis to assure that specified features were included in the implemented system.

The draft report specifically cites the non-inclusion in DOCS of on-line help features and imaging. However, this was not the fault of the contractor. On-line help features were to be provided through a software product known as *Assist GT*. This product allowed for both field-specific help screens as well as on-line access to the User Manual. We purchased *Assist GT* software and also had the responsibility of developing the various help screens as well as the providing the on-line manual. However, because we lost virtually all of our applications and systems programmers, *Assist GT* was never made operational.

With regard to imaging, the contractor had the responsibility of integrating into DOCS the scanning of bi-weekly claims certifications through the department's Optical Character Reader. However, this equipment, purchased in the late 1980's, was no longer operational when DOCS was implemented in November 1999.

- **Lack of an integrated information management system to provide information on case management and financial activities of the programs.**

Again, the narrative in your Executive Summary relating to this finding deals solely with the Disability Compensation Program. As stated above, we have already responded to your concerns regarding this program in our letter of February 14th.

For your further information, the department has instituted the Virtual One-Stop (VOS) Information Management System for its Workforce Investment Act and Unemployment Insurance programs. This state-of-the-art system, which was under development during your review, provides the electronic network that links the individual One-Stop Career Centers into an integrated structure. It provides a web-based tracking, reporting, and case management system for use by staff as well as customers. It was implemented on March 1, 2001, and continues to be expanded and enhanced based on feedback from users. Modules for the Project Empowerment and SummerWorks programs will be added in the near future.

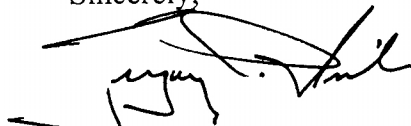
- **No clear line of authority/communication and coordination related to decision-making on program administration between DOES and other District agencies/offices and contractors.**

This finding focuses on the institutional relationship between the department and the Office of the Chief Financial Officer (OCFO), in particular the fact that the department's Chief Financial Officer does not report to the department's Director. Suffice it to say that this structure was established by the Mayor, not the DOES Director.

The quality and effectiveness of the department's relationships with other District government entities and contractors is another area to which I have devoted substantial time and attention since my appointment. As a result, these relationships have greatly improved and have significantly contributed to our ability to deliver enhanced customer services. Specifically, we have made great strides in collaborating with the Department of Human Services on our Welfare-to-Work program and working with the Office of Grants Management and Development to assure maximum effective deployment of our federal grant resources.

If you have questions or require further information, please contact me on 671-1900.

Sincerely,

A handwritten signature in black ink, appearing to read "Gregory P. Irish", written over a horizontal line.

Gregory P. Irish
Director

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Department of Employment Services

Office of the Director

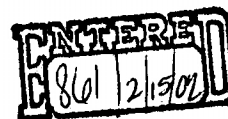
2002 FEB 15 PM 12: 23

Gregory P. Irish
Director FEB 14 2002



(202) 671-1900-Voice
(202) 673-6976-Fax

HAND DELIVERED



Charles C. Maddox, Esquire
Inspector General
Office of the Inspector General
717 14th Street, N.W.
Washington, D.C. 20005

Dear Mr. Maddox:

It is of no value for DOES to provide a detailed comment on the Inspector General Report, that may be issued in the latter part of FY2002, which reviews the FY2000 Disability Compensation Program. We simply cannot see the wisdom of spending another dime of taxpayer's money on discussing historical structures that your office did not understand at the time of this review. Injured District government workers will not benefit from a detailed response to a report that misstates facts and circumstances, makes spurious allegations and that conjures up baseless recommendations.

We are unclear as to how your report, based more on anecdotal conversations rather than on Generally Accepted Auditing Principles (GAAP), offers a benefit to the organization that currently administers the District's Disability Compensation Program – D.C. Office of Personnel (DCOP). By the time your report reaches DCOP, it will have administered the program for approximately a year.

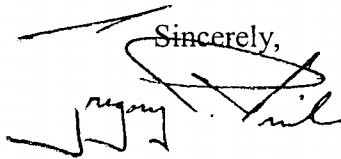
The lingering question for DOES is why release your report now, long after the Disability Compensation Program has been transferred to the D.C. Office of Personnel? Why release, no earlier than the latter part of FY2002, old allegations that do not prove that DOES engaged in waste, fraud or abuse in FY2000?

If there is a success story that can be pointed to, it is that after years of underfunding and understaffing and through the persistent efforts of DOES, the Disability Compensation Program is finally funded at a level necessary to provide high quality claims administration service to District government workers. As the Deputy Mayor for Operations/City Administrator, John A. Koskinen testified before the Public Briefing of the D.C. Council Committee of the Whole on February 4, 2002, the Comprehensive Annual Financial Report for 2001 notes that in the past, the D.C. Disability Compensation Program has experienced difficulties with its TPA [Third Party Administrator] and with oversight. We now have a new TPA, the problems with oversight have been funded and fixed, the Program has been transferred to DCOP, and

we are confident that future program operations will improve. DOES wishes the current administrator nothing but success in its effort to provide injured District government workers with the best possible service to help them overcome illnesses and injuries sustained while doing the people's business.

In order to offer assistance to the D.C. Office of Personnel, DOES is forwarding a complete set of all documents associated with your review of the Disability Compensation Program. Time spent with this information can, hopefully, help DCOP to avoid past pitfalls and getting snarled up in unnecessary entanglements encountered by DOES.

In lieu of providing a detailed comment, DOES exercises its prerogative to have this letter and all of its enclosures inserted into your report as our response.

Sincerely,


Gregory P. Irish
Director

Enclosures: 13
[See attached listing of enclosures]

cc: Mayor Anthony A. Williams
John A. Koskinen, Deputy Mayor for Operations/City Administrator
Eric W. Price, Deputy Mayor for Planning and Economic Development

ENCLOSURES

1. Testimony of Gregory P. Irish, Director, Department of Employment Services, before the Committee on Government Operations Hearing on Oversight of the Disability Compensation Program, dtd. 9/21/00
2. Testimony of Inspector General Charles C. Maddox before the Committee on Government Operations on the Disability Program within the Department of Employment Services, dtd. 9/21/00
3. Third Party Administrator [Mell, Brownell & Baker] Base Year Contract (with 4 option years) - ratified on 12/17/97
4. Managed Care Organization [CorVel Corporation] Base Year Contract (with 4 one year options) – ratified on 9/8/97
5. DOES Engagement Letter (Operational Audit), dtd. 12/13/99
6. Draft OIG Report on the Audit of the Disability Compensation Program within the Department of Employment Services, dtd. 8/9/00
7. DOES Response to the Draft OIG Report, dtd. 9/11/00
8. Final OIG Report on the Audit of the Disability Compensation Program within the Department of Employment Services, dtd. 9/19/00
9. DOES Response to the OIG Audit Reports Dated March 3, 1999 and September 19, 2000, dtd. 1/18/01

Other Supporting Documentation

10. Draft Report “Audit of the Department of Employment Services Audit of Disability Compensation Overpayments” (OIG No. 9812-20), dtd. 1/12/99
11. Draft Report, “Audit of the Department of Employment Services Disability Compensation Overpayments” (OIG No. 9812-20), dtd. 2/9/99
12. Final Report “Audit of the Department of Employment Services Audit of Disability Compensation Overpayments” (OIG No. 9812-20), dtd. 3/3/99
13. Memorandum from the DOES Director to Mayor Anthony Williams Regarding the Disability Compensation Program, dtd. 11/7/00